



February 18, 2015

VIA HAND DELIVERY

David P. Zambito

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Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
P.O. Box 3265
Harrisburg, PA 17105-3265

**Re: SUPERIOR WATER COMPANY, INC.; Supplement No. 18 to Tariff Water - Pa.
P.U.C. No. 4**

Dear Secretary Chiavetta:

Enclosed for filing with the Commission on behalf of Superior Water Company, Inc. is the original Supplement No. 18 to Tariff Water – Pa. P.U.C. No. 4 (“Supplement No. 18”), effective March 1, 2015. Supplement No. 18 adjusts the Distribution System Improvement Charge from 1.51% to 1.59%, effective March 1, 2015.

Please date-stamp the extra copy and return it with our messenger. If you require anything further, please feel free to call me.

Sincerely,

COZEN O'CONNOR

By: David P. Zambito
Counsel for Superior Water Company, Inc.
d/b/a Superior Water Company

DPZ/kmg
Enclosures

cc: Paul T. Diskin, Bureau of Technical Utility Services
Lori Burger, Bureau of Audits
Brian Shuey, Bureau of Audits
Per Certificate of Service

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SUPERIOR WATER COMPANY, INC.
d/b/a SUPERIOR WATER COMPANY
RATES, RULES AND REGULATIONS GOVERNING
THE PROVISION OF WATER SERVICE
TO THE PUBLIC IN PORTIONS OF
DOUGLASS, NEW HANOVER, LOWER POTTS GROVE,
UPPER FREDERICK, UPPER POTTS GROVE, AND WORCESTER TOWNSHIPS,
MONTGOMERY COUNTY

NORTH COVENTRY TOWNSHIP, CHESTER COUNTY

WASHINGTON TOWNSHIP, BERKS COUNTY

By: Michael Gambone, President
Superior Water Company, Inc.
d/b/a Superior Water Company
1885 Swamp Pike, Suite 109
Gilbertsville, PA 19525

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LIST OF CHANGES

Supplement No. 18 to Tariff – Pa. P.U.C. No. 4 updates the Distribution System Improvement Charge to 1.59% effective on March 1, 2015.

E. Distribution System Improvement Charge (“DSIC”)

In addition to the net charges provided for in this Tariff, a surcharge of 1.59% will apply to all bills issued, excluding public fire hydrants, on or after March 1, 2015. (I)

1. PURPOSE; APPLICABILITY

Purpose: To recover the fixed costs (depreciation and pre-tax return) of certain non-revenue producing, non-expense reducing distribution system improvement projects completed and placed in-service and to be recorded in the individual accounts, as noted below, between base rate cases and to provide the Company with the resources to accelerate the needed replacement of aging water distribution infrastructure, to comply with evolving regulatory requirements imposed by the Safe Drinking Water Act, to enhance fire protection, and to develop and implement solutions to regional water supply problems. PENNVEST funded distribution projects, if any are not DSIC eligible.

2. ELIGIBLE DSIC PROPERTY

Distribution System Facilitates are defined as follows:

- a. Distribution Main Extensions installed to eliminate dead ends and to implement solutions to regional water supply problems that have been documented as presenting a significant health and safety concern for customers currently receiving service from Superior;
- b. Distribution Main and Valve Replacement for existing facilities that have worn out, are in deteriorated condition, or upgraded to meet Chapter 65 regulations of Title 52; and
- c. Services, Meters, and Hydrants installed as in-kind replacements for customers to improve safe, reliable and adequate service.

3. CALCULATION OF DSIC

The DSIC shall be calculated as follows:

$$DSIC = \frac{(DSI \times PTRR) + Dep + e}{PQR}$$

Where:

- DSI = Original cost of eligible project(s), net of accumulated depreciation.
- PTRR = Pre-tax return rate applicable to eligible project(s).
- Dep = Depreciation expense related to project(s).
- e = Calculated annual reconciliation feature described more fully below.
- PQR = Non-DSIC Projected quarterly revenue from customer subject to DSIC.

Quarterly Filings: Data to be submitted to appropriate offices before DSIC effect dates.

Workpapers in Support of
Superior Water Company, Inc.
Supplement No. 18 to
Tariff Water – Pa. P.U.C. No. 4

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SUPERIOR WATER COMPANY
Distribution System Improvement Charge ("DSIC") Calculation

<u>Ln #</u>		March 1, 2015		
1	Effective date:			
2	Formula	$DSIC = \frac{(DSI \times PTRR) + Dep + e}{PQR}$		
			<u>Annual</u>	<u>Quarterly</u>
3	DSI			
4	Original cost of eligible projects (Sch. 2, L8)			\$ 288,743.44
5	Accumulated depreciation (Sch. 2, L15)			(28,956.51)
6	Net Distribution System Improvement Projects (L4-L5)			<u>\$ 259,786.93</u>
7	PTRR			
8	Pre-Tax Return Rate (Sch. 2, L24 & L25)		10.15%	2.54%
9	Subtotal Return On Revenue Requirement Value (L6 x L8)			<u>\$ 6,598.59</u>
10	Dep			
11	Depreciation expense projects (Sch. 2, L8 & L15)		\$ 16,318.71	<u>\$ 4,079.68</u>
12	Subtotal Project Cost Revenue Requirement Value (L9 + L11)			<u>\$ 10,678.27</u>
13	Project Cost Revenue Requirement % Rate (L12 + L22)			<u>1.56%</u>
14	e	2014		
15	Reconciliation - Annual (Over)/Under Collection		\$ 686.00	\$ 171.50
16	Interest Refundable *	n/a *		-
17	Prior Period "e" (Over)/Under Collection		\$ 21.00	<u>5.25</u>
18	Net "e" Value			<u>\$ 176.75</u>
19	"e" Revenue Requirement % Rate (L18 + L22)			<u>0.03%</u>
20	Total DSIC Revenue Requirement (L12 + L18)			<u>\$ 10,855.02</u>
21	PQR			
22	Non-DSIC Projected Quarterly Revenue			<u>\$ 685,695</u>
23	DSIC	Distribution System Improvement Charge % Rate (L20 + L22 or L13 + L19)		<u>1.59%</u>

* Total Net Year End Under Collection Interest Amounts are not recoverable per PaPUC regulations

SUPERIOR WATER COMPANY
Distribution System Improvement Charge ("DSIC") Supporting Information

Ln #

1 Effective date: March 1, 2015

2 **DSI Qualifying Projects - Costs & Annual Depreciation Expense**

Description	Beginning Balance 10/31/2014	Quarter Additions 1/31/2015	Ending Balance 1/31/2015	Depreciation Rates	New Additions Annual Depreciation Expense
Mains	\$ -		\$ -		\$ -
Services	56,643.22	-	56,643.22	2.00%	1,132.86
Meters	209,776.49	16,162.93	225,939.42	6.67%	15,062.63
Hydrants	6,160.80		6,160.80	2.00%	123.22
Total Qualifying Projects	\$ 272,580.51	\$ 16,162.93	\$ 288,743.44		\$ 16,318.71

9 **DSI Qualifying Projects - Accumulated Depreciation**

Description	Beginning Balance 10/31/2014	Quarter Additions 1/31/2015	Ending Balance 1/31/2015
Mains	\$ -	\$ -	\$ -
Services	1,759.54	283.22	2,042.76
Meters	23,024.85	3,765.66	26,790.51
Hydrants	92.43	30.81	123.24
Total Qualifying Projects	\$ 24,876.82	\$ 4,079.69	\$ 28,956.51

16 **DSI Qualifying Projects - General Information For Quarter**

Description	Units	General Work Performed
Mains		
Services	-	Remove and Replace w/New Customer Services etc.
Meters	63	Remove and Replace w/New Master Meters
Hydrants		Remove and Replace w/New Hydrant

21 **Pre-Tax Return Rate**

Capital Structure	Capital % Ratios	Capital Cost Rates	Weighted Cost Rate	Tax Gross-Up Rate	Pretax Cost Rate
Debt	54.07%	4.47%	2.42%	1	2.42%
Equity*	45.93%	10.00%	4.59%	1.6833	7.73%
Totals	100.00%		7.01%		10.15%
25 Current Quarter Pretax Cost Rate					2.54%

*Cost of Equity - PaPUC Public Meeting January 29, 2015 Docket No. M-2014-2460381 p22 Water DSIC Return Rate L6

SUPERIOR WATER COMPANY
Distribution System Improvement Charge
Statement of Over/Under Collections
1307(e) Y/E December 31, 2014

Period	2014 Authorized DSIC Rates / Amounts						2014 DSIC Billed Surcharge Revenue				2014 (Over)/Under Collections				Interest Rates	Number of Months Until Recovery	2014 (Over)/Under Interest Amounts	
	Proj. Cost Rev. Requir. Capital & Depreciation Rate	\$Amount	e-Factors (Over)/Under Rate	\$Amount	Notes	Rate	\$Amount	Capital & Depr. Billed	e-Factor Billed	Notes	Total Surcharge Revenues	Capital & Depr. (O)/U	e-Factor (O)/U	Notes				Total (Over)/Under Collections
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)			
January	1.13%	2,586	0.02%	37	1	1.15%	\$ 2,623	\$ 2,684	\$ 48	1	\$ 2,732	\$ (98)	\$ (11)	1	\$ (109)	6.00%	20	(11)
February	1.13%	2,586	0.02%	37	1	1.15%	2,623	2,171	38	1	2,209	415	(1)	1	414	6.00%	19	39
March	1.25%	2,740	0.03%	71	2	1.28%	2,811	2,540	61	2	2,601	200	10	2	210	6.00%	18	19
April	1.25%	2,740	0.03%	71	2	1.28%	2,811	3,039	73	2	3,112	(299)	(2)	2	(301)	6.00%	17	(26)
May	1.25%	2,740	0.03%	71	2	1.28%	2,811	2,607	63	2	2,670	133	8	2	141	6.00%	16	11
June	1.09%	2,628	0.03%	71	2	1.12%	2,699	2,308	64	2	2,372	320	7	2	327	6.00%	15	25
July	1.09%	2,628	0.03%	71	2	1.12%	2,699	2,943	81	2	3,024	(315)	(10)	2	(325)	6.00%	14	(23)
August	1.09%	2,628	0.03%	71	2	1.12%	2,699	2,460	68	2	2,528	168	3	2	171	6.00%	13	11
September	1.26%	2,853	0.03%	71	2	1.29%	2,924	2,799	67	2	2,866	54	4	2	58	6.00%	12	3
October	1.26%	2,853	0.03%	71	2	1.29%	2,924	2,720	65	2	2,785	133	6	2	139	6.00%	11	8
November	1.26%	2,853	0.03%	71	2	1.29%	2,924	3,097	74	2	3,171	(244)	(3)	2	(247)	6.00%	10	(12)
December	1.48%	3,343	0.03%	71	2	1.51%	3,414	3,122	63	2	3,185	221	8	2	229	6.00%	9	10
Totals		\$ 33,178		\$ 784		\$ 33,962	\$ 32,492	\$ 763		\$ 33,255	\$ 686	\$ 21	3	\$ 707	4			54

Notes:

- (1) 2012 e-Factor reflects \$441 Undercollection for June through December 2012 to be recovered from March 1, 2013 through February 28, 2014
Final reconciliation of 2012 e-factor costs for January and February 2014 activity reflects an over collection of \$11 (C1m 6 - C1m 9 = C1m 12) to be refunded in March 1, 2015 effective DSIC filing
- (2) 2013 e-Factor reflects \$855 Undercollection for January through December 2013; to be recovered from March 1, 2014 through February 28, 2015
Reconciliation of 2013 e-factor costs for March through December 2014 activity reflects an under collection of \$31 (C1m 6 - C1m 9 = C1m 12) to be refunded in March 1, 2015 effective DSIC filing
- (3) Sum of 2012 and 2013 e-Factors of \$11 over collection and \$31 under collection produce a net under collection of \$21 to be refunded in March 1, 2015 effective DSIC Filing
- (4) Sum of 2014 Capital & Depreciation Under collection of \$686 and e-factor under collections of \$11 produce a net Under collection of \$707; no interest assigned to DSIC calculation

Superior's DSIC rates go into effect on the 1st of June, September, December, and March.
Total Net Year End Under Collection Interest Amounts are not recoverable per PaPUC regulations

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing Supplement No. 18 to Tariff Water – Pa. P.U.C. No. 4 of Superior Water Company, Inc., upon the parties, listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party).

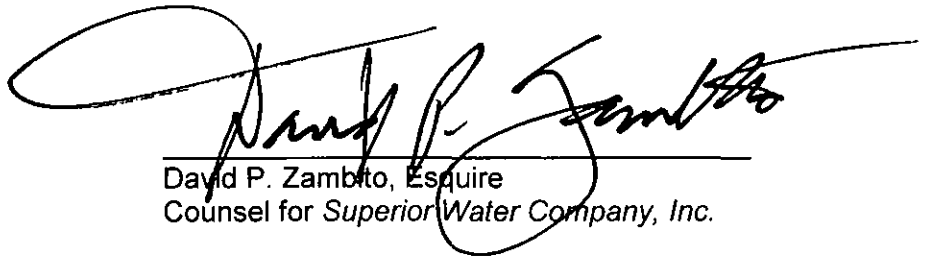
VIA FIRST CLASS MAIL:

Bureau of Investigation & Enforcement
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street – 2 West
PO Box 3265
Harrisburg, PA 17105-3265

Office of Small Business Advocate
Suite 202, Commerce Tower
300 North Second Street
Harrisburg, PA 17101-1303

Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923

DATED: February 18, 2015



David P. Zambito, Esquire
Counsel for Superior Water Company, Inc.

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